PROXY

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

PROXY STATEMENT

AND

1990 ANNUAL REPORT

A Note to All Kroger Shareholders:

*This publication combines the Kroger annual report, financial information, plus proxy material for the 1991 annual shareholders meeting, all under one cover. Previously, as you will recall, the Company published a separate "summary" annual report. In our continuing resolve to reduce expenses, we have done away with the summary report, which cuts both extra printing and mailing costs. However, the **amount** of information about Kroger has not been reduced; in this single document, you will find **all** pertinent information about Kroger's operating and financial performance in 1990.*

To Our Fellow Shareholders

We are pleased to report that The Kroger Co. had an exceptional performance in 1990.

Despite a recessionary economy and the shadow of war, Kroger's sales were strong throughout the year and reached the $20 billion plateau for the first time in the Company's history. Identical food store sales, a key measure of the *vitality* of our sales, increased 6.5 percent—one of the healthiest year-to-year comparisons in the supermarket industry. Operating cash flow increased 7 percent to $959 million, and Kroger's net earnings for the year reached $82.4 million, or 95 cents per share.

Kroger's business remains strong so far in 1991. Identical store sales are increasing at budgeted rates. The price of Kroger common stock has risen by approximately 50 percent in the first twelve weeks of the new year.

Several factors explain 1990's success and our continuing momentum in 1991:

First, Kroger's operating areas generally have not suffered a severe economic downturn. In fast-growing areas like Colorado and Arizona, and in flagship markets like Atlanta and Columbus, Ohio, Kroger is the market *leader*, with the number one or number two market share in 24 of 25 major markets. We're also first or second in most of our 39 secondary markets—cities like Augusta, Georgia, Colorado Springs, Colorado, and Ann Arbor, Michigan.

Second, we are reaping the benefits of our $2 billion real estate development program of the mid-eighties. The stores built during the '80s are maturing toward their years of optimal performance. This has enabled us to trim capital spending without hurting our competitive posture.

Kroger remains committed to new store growth. We plan to spend between $175 million and $200 million in 1991 for 35 to 40 new or extensively enlarged stores and about 100 interior remodels. This plan fulfills our corporate policy to construct, replace, or remodel 10 percent of our existing store base each year. We will augment this capital spending plan with strategic acquisitions that allow us to strengthen market share, such as our purchase in 1990 of 29 Great Scott! stores in Michigan.

Third, Kroger's combo store format appeals to customers under virtually any economic condition. Service departments like seafood shops, floral boutiques, and fragrance counters are important to Kroger's one-stop shopping concept, and they generate substantial margins. Yet the *basic* departments—grocery, meat, produce, and pharmacy—account for 85 percent of total Company sales.

Fourth, Kroger private label products are particularly attractive to customers who want a lower price alternative to national brands without sacrificing quality. Our private label program enjoyed one of its best years in 1990. Kroger's line of dairy items, coffee, baked goods, canned vegetables, condiments, and household paper products are strong sellers. Margins on many of these items increased in 1990 because of declines in commodity prices and improved productivity in our processing facilities.

Fifth, compensation for most employees is linked to incentive plans and an ownership stake in the Company. Bonus programs to reward the achievement of Company sales and cash flow targets have been strengthened and extended to non-management personnel. Our labor contracts feature incentive plans which provide cash bonuses for improved performance of the employee's work unit—the store, distribution center, or manufacturing plant.

Through stock purchases and Company benefit plans, employees now own approximately 36 percent of Kroger's common stock.

Financial Strategy

Kroger's financial strategy during 1990 focused upon reducing fixed charges—primarily in the areas of interest expense and debt amortization.

Late in 1989, Kroger completed a $612.5 million real estate mortgage package, followed a month later by the placement of $250 million in unsecured notes. These transactions enabled the Company to pay

down a portion of the senior bank debt and lengthen the average maturity on our long-term debt from 7.75 to 11 years.

Total long-term debt at year-end 1990 stood at $4.65 billion, down $254 million from the prior year. Interest expense declined to $558 million and we expect 1991 interest expense to range between $530 million and $540 million.

Community Involvement

Kroger employees in 1990 continued to invest time and talent to improve the quality of life in their communities. In city after Kroger city, in-store promotions, car washes, and bake sales organized by employees raised hundreds of thousands of dollars for local charities.

Company divisions also responded to growing environmental concerns by reducing the amount of business-generated solid waste headed for landfills and by involving customers in substantial waste reduction and recycling efforts. Every supermarket division has implemented an extensive recycling program.

The results are impressive. From our own operations, Kroger recycled more than 300,000 tons of corrugated paper and another million pounds of plastic stretch wrap. Our store-based customer recycling programs collected more than 350 million cans, 25 million glass bottles and jars, 40 million plastic milk jugs and two-liter soft drink bottles, 65 million pounds of newspapers and 10 million pounds of old phone books.

Kroger's commitment to charitable, civic, educational, and fine arts organizations increased during the year. At the local level Kroger and Dillon divisions actively distributed Kroger Foundation grants to area causes. Total grants from the Foundation increased 8 percent to $3.9 million.

Executive Changes

In May, Lyle Everingham announced his intention to retire after 44 years of dedicated service. Over the past 12 years as Chairman and Chief Executive Officer, Lyle's clear vision and firm leadership skills positioned Kroger as the industry's pre-eminent exponent of "one stop shopping"—as embodied in the highly successful combination food and drug store—even as he steered the organization through a series of major restructurings during the late 1980s.

Our current success and our bright prospects for the future reflect Lyle's remarkable accomplishments. He remains a Member of the Board of Directors and Chairman of the Executive Committee, where he will continue to make substantive contributions to The Kroger Co.

On March 18, 1991, The Kroger Co. was deeply saddened by the death of our longest serving director, Dr. George Pinnell. For more than 25 years, our Company has benefited from Dr. Pinnell's wisdom, integrity and humanity. We will miss him very much.

The Year Ahead

Kroger enters 1991 with a strong sense of upward *momentum*. Maintaining this momentum requires, above all, a commitment by every individual in the organization to be his or her *best* . . . the best checker, the best truck driver, the best produce manager, the best administrative assistant, the best division President. As we travel around the Company and visit our supermarkets, convenience stores, and manufacturing plants, we find this commitment everywhere. It is sustaining our operating performance, and providing increasing satisfaction and rewards for our employees and our shareholders.

Joseph A. Pichler

Joseph A. Pichler
Chairman and
Chief Executive Officer

Richard L. Bere

Richard L. Bere
President and
Chief Operating Officer

PROXY

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Cincinnati, Ohio, April 1, 1991

To All Shareholders
of The Kroger Co.:

The annual meeting of shareholders of The Kroger Co. will be held at the CLARION HOTEL, 141 WEST SIXTH STREET, Cincinnati, Ohio, on May 16, 1991, at 10 o'clock A.M., for the following purposes:

1. To elect six directors to serve until the annual meeting of shareholders in 1994 or until their successors have been elected and qualified;
2. To consider and act upon a proposal to ratify the selection of auditors for the Company for the year 1991; and
3. To transact such other business as may properly be brought before the meeting; all as set forth in the Proxy Statement accompanying this Notice.

Holders of common shares of record at the close of business on March 18, 1991, will be entitled to vote at the meeting.

YOUR MANAGEMENT DESIRES TO HAVE A LARGE NUMBER OF THE SHAREHOLDERS REPRESENTED AT THE MEETING, IN PERSON OR BY PROXY. PLEASE SIGN AND DATE THE ENCLOSED PROXY AND MAIL IT AT ONCE IN THE ENCLOSED SELF-ADDRESSED ENVELOPE. NO POSTAGE IS REQUIRED IF MAILED WITHIN THE UNITED STATES.

By order of the Board of Directors,
Norma Skoog, Secretary

PROXY STATEMENT

Cincinnati, Ohio, April 1, 1991

The accompanying proxy is solicited by the Board of Directors of The Kroger Co., and the cost of solicitation will be borne by the Company. The Company will reimburse banks, brokers, nominees, and other fiduciaries for postage and reasonable expenses incurred by them in forwarding the proxy material to their principals. The Company has retained Hill & Knowlton, Inc., 420 Lexington Avenue, New York, New York to assist in the solicitation of proxies and will pay such firm a fee estimated at present not to exceed $15,000. Proxies may be solicited personally, or by telephone, as well as by use of the mails.

Joseph A. Pichler, Ray E. Dillon, Jr. and T. Ballard Morton, Jr., all of whom are directors of the Company, have been named members of the Proxy Committee.

The principal executive offices of The Kroger Co. are located at 1014 Vine Street, Cincinnati, Ohio 45202-1100. Its telephone number is 513-762-4000. This Proxy Statement and Annual Report, and the accompanying proxy, were first sent or given to shareholders on April 1, 1991.

As of the close of business on March 18, 1991, the Company's outstanding voting securities consisted of 86,649,067 shares of common stock, the holders of which will be entitled to one vote per share at the annual meeting. The shares represented by each proxy will be voted unless the proxy is revoked before it is exercised. Revocation may be in writing to the Secretary of the Company or in person at the meeting. The laws of Ohio, under which the Company is organized, provide for cumulative voting. If notice in writing is given by any shareholder to the President, a Vice President, or the Secretary of the Company not less than 48 hours before the time fixed for holding the meeting that the shareholder intends to cumulate votes for the election of directors and if an announcement of the giving of such notice is made by or on behalf of any such shareholder or by the Chairman or Secretary upon the convening of the meeting, each shareholder shall have the right to cumulate votes at such election. If cumulative voting is in effect, a shareholder voting for the election of directors may cast a number of votes equal to six times the number of shares held on the record date for a single nominee or divide them among the nominees in full votes in any manner. Any vote "FOR" the election of directors will constitute discretionary authority to the Proxy Committee to cumulate votes to which such proxies relate as it, in its discretion, shall determine, if cumulative voting is requested.

PROPOSALS TO SHAREHOLDERS

ELECTION OF DIRECTORS
(ITEM NO. 1)

The Board of Directors, as now authorized, consists of sixteen members divided into three classes. Six directors are to be elected at the annual meeting to serve until the annual meeting in 1994 or until their successors have been elected by the shareholders, or by the Board of Directors pursuant to the Company's Regulations, and qualified. The committee memberships stated below are for the year 1991. It is intended that the accompanying proxy will be voted for the election of the following six persons:

Name	Professional Occupation (1)	Age	Director Since
	DIRECTORS WHOSE TERMS OF OFFICE CONTINUE UNTIL 1994		
Reuben V. Anderson	Mr. Anderson is a member, in the Jackson, Mississippi office, of Phelps & Dunbar, a New Orleans law firm. Prior to joining this law firm, he was a justice of the Supreme Court of Mississippi beginning in 1985. Upon his election to the Board, Mr. Anderson will be a member of two of the committees of the Board.	48	
Richard L. Bere	Mr. Bere is President and Chief Operating Officer of Kroger. He is a member of the Executive and Corporate Responsibility Committees.	59	1990
Raymond B. Carey, Jr.	Mr. Carey is a retired Chairman of the Board and Chief Executive Officer of ADT, Inc., an electronic protection company. He is a director of Thomas & Betts Corporation; Hansome Energy Systems, Inc.; C.R. Bard; and the National Board of Junior Achievement. Mr. Carey is chair of the Nominating Committee and a member of the Compensation Committee.	64	1977
John D. Ong	Mr. Ong is Chairman and Chief Executive Officer of The BFGoodrich Company, a chemical and aerospace company. He is a director of Cooper Industries, Inc.; and American Information Technologies Corporation. Mr. Ong is vice chair of the Nominating Committee and a member of the Compensation Committee.	57	1975
Joseph A. Pichler	Mr. Pichler is Chairman of the Board and Chief Executive Officer of Kroger. He is a director of The BFGoodrich Company. Mr. Pichler is vice chair of the Executive Committee and a member of the Financial Policy and Nominating Committees.	51	1983
Martha Romayne Seger	Dr. Seger will join the faculty of the University of Arizona. She recently resigned from the Board of Governors of the Federal Reserve System. She had been a member of the Board of Governors since 1984. She is a director of Fluor Corporation and is standing for election to the boards of Amoco Corporation and Xerox Corporation. Upon her election to the Board of Directors, Dr. Seger will be a member of two of the committees of the Board.	59	

Name	Professional Occupation (1)	Age	Director Since
DIRECTORS WHOSE TERMS OF OFFICE CONTINUE UNTIL 1993			
Richard W. Dillon	Mr. Dillon is Chairman of the Board of Dillon Companies, Inc., a wholly-owned subsidiary of Kroger. Mr. Dillon is a member of the Corporate Responsibility Committee. (2)	63	1983
Lyle Everingham	Mr. Everingham is Chairman of the Executive Committee of the Board of Kroger. He is a director of The Central Trust Company, N.A.; Federated Stores, Inc.; Cincinnati Milacron Inc.; and Capital Holding Corporation. Mr. Everingham is chair of the Executive Committee and a member of the Financial Policy and Nominating Committees.	64	1970
John T. LaMacchia	Mr. LaMacchia is President, Chief Operating Officer, and a director of Cincinnati Bell Inc., a telecommunications holding company. He is a director of Multimedia, Inc. Mr. LaMacchia is vice chair of the Audit Committee and a member of the Compensation and Executive Committees.	49	1990
T. Ballard Morton, Jr.	Mr. Morton is Executive in Residence of the School of Business of the University of Louisville. He is a director of Citizens Fidelity Corp.; Citizens Fidelity Bank & Trust Co.; Louisville Gas & Electric Co.; and PNC Financial Corp. Mr. Morton is a member of the Executive, Financial Policy and Nominating Committees.	58	1968
Otis M. Smith	Mr. Smith is of counsel to the Detroit law firm of Lewis, White & Clay. He retired in 1984 as Vice President and General Counsel of General Motors Corporation. He is a director of The Detroit Edison Company; and the American Arbitration Association. Mr. Smith is chair of the Corporate Responsibility Committee and a member of the Audit Committee.	69	1983
DIRECTORS WHOSE TERMS OF OFFICE CONTINUE UNTIL 1992			
John L. Clendenin	Mr. Clendenin is Chairman of the Board and Chief Executive Officer of BellSouth Corporation, a holding company with subsidiaries in the telecommunications business. He is a director of First Wachovia Corp.; Equifax Incorporated; National Service Industries, Inc.; Capital Holding Corporation; Springs Industries, Inc. and Coca Cola Enterprises, Inc. Mr. Clendenin is chair of the Audit Committee and a member of the Corporate Responsibility Committee.	56	1986

Name	Professional Occupation (1)	Age	Director Since
Ray E. Dillon, Jr.	Mr. Dillon is Chairman Emeritus of the Board of Dillon Companies, Inc., a wholly-owned subsidiary of Kroger. He is a director of Polaris Financial Co. Mr. Dillon is vice chair of the Financial Policy Committee and a member of the Audit Committee. (2)	66	1983
Jackson C. Hinds	Mr. Hinds is retired Chairman of the Board and Chief Executive Officer of Entex, Inc., a producer and distributor of natural gas. Mr. Hinds is chair of the Compensation Committee and a member of the Financial Policy Committee.	69	1975
Patricia Shontz Longe	Dr. Longe is an Economist and a Senior Partner of The Longe Company, an economic consulting and investment firm. She is a director of The Detroit Edison Company; Jacobson Stores, Inc.; Manufacturers National Corp.; Manufacturers National Bank of Detroit; Manufacturers Bank and Trust of Florida; and Warner-Lambert Company. Dr. Longe is vice chair of the Compensation Committee and a member of the Audit Committee.	57	1977
Thomas H. O'Leary	Mr. O'Leary is Chairman, President and Chief Executive Officer of Burlington Resources, Inc., a natural resources business. He is a director of Burlington Northern, Inc.; and The BFGoodrich Company. Mr. O'Leary is chair of the Financial Policy Committee and a member of the Nominating Committee.	57	1977

(1) Except as noted, each of the directors has been employed by his or her present employer (or a subsidiary) in an executive capacity for at least five years.

(2) Ray E. Dillon, Jr. and Richard W. Dillon are brothers.

Information Concerning The Board Of Directors

Directors' Compensation

Each non-employee director is currently paid an annual retainer of $21,000 plus fees of $1,500 for each board meeting and $1,000 for each committee meeting attended. Committee chairs receive an additional annual retainer of $3,000. Directors who are employees of the Company do not receive any compensation for service as directors. The Company provides accidental death and disability insurance for directors at a cost to the Company in 1990 of $175 per director. The Company also provides a major medical plan for directors.

The Company has an unfunded retirement program for outside directors. The retirement benefit is the average compensation for the five calendar years preceding retirement. Directors who retire from the Board prior to age 70 will be credited with 50% vesting after five years of service and an additional 10% for each year served thereafter. Benefits for directors who retire prior to age 70 will commence at the time of retirement from the Board or age 65, whichever comes later.

Committees Of The Board

The Board of Directors has a number of standing committees including Audit, Nominating and Compensation Committees. During 1990, the Audit Committee met two times, the Nominating Committee met four times, and the Compensation Committee met five times. Committee memberships are shown on pages 4 through 6 of this Proxy Statement. The Audit Committee reviews external and internal auditing matters and is responsible for the selection of the Company's independent auditors subject to the approval of the Board and ratification by shareholders. The Compensation Committee determines the compensation of the Company's senior management and administers its stock option and benefit programs. The Nominating Committee is responsible for developing criteria for selecting and retaining members of the Board and seeks out qualified candidates.

The Board of Directors met seven times in 1990. Messrs. Ray E. Dillon, Jr., Thomas H. O'Leary and John D. Ong attended fewer than 75% of the aggregate of the meetings of the Board and of the committees on which each of them serves.

The Nominating Committee will consider shareholder recommendations for nominees for membership on the Board of Directors. Such recommendations, together with a description of the proposed nominee's qualifications and other relevant biographical information, must be submitted in writing to Norma Skoog, Secretary of the Company, and received at the Company's executive offices not later than December 3, 1991.

Certain Transactions

No member of the immediate family of any director had a material interest in any transaction with the Company in 1990, except that the Company purchased certain meat, seafood and private label products to be sold in Company stores from suppliers represented by two firms in which Mr. Everingham's son, Mark Everingham, owned a 45% and 42.5% interest, respectively. The two firms earned gross revenues of approximately $3,885,820 in commissions paid, as is customary in the industry, by the suppliers. The management of the Company views these transactions, and the amounts paid by the Company for the goods supplied, as fair and competitive.

In addition, in 1989, Ray E. Dillon, Jr. and Richard W. Dillon purchased and leased back to the Company eight convenience stores for approximately $3 million. These convenience stores were part of a group of convenience stores offered for sale and leaseback to the public on identical terms, and the stores purchased by the Dillons first were offered publicly on those terms. During 1990, Ray E. Dillon, Jr. received $222,585 from the Company as rent for five of these stores and Richard W. Dillon received $79,293 from the Company as rent for the other three stores. The management of the Company has determined that the terms of the transaction were developed at arm's length and are fair and competitive, and that the sale and leaseback of those convenience stores is in the best interests of the Company.

Compensation Of Executive Officers

Cash Compensation

The following tabulation shows the compensation paid to or set aside for the benefit of the five most highly compensated executive officers of the Company and all executive officers as a group for the time during 1990 that they were executive officers of the Company.

Name of Individual or Number of Persons in Group	Capacities in Which Served	Cash Compensation (1)
Lyle Everingham	Chairman of the Executive Committee	$1,034,381
Joseph A. Pichler	Chairman of the Board and Chief Executive Officer	763,450
William J. Sinkula	Executive Vice President and Chief Financial Officer	457,440
Richard L. Bere	President and Chief Operating Officer	429,794
David B. Dillon	Executive Vice President	408,248
15 Executive Officers as a group (including those named above)		$5,880,783

(1) Amounts set forth in the table include salaries and cash bonuses paid during 1991 for services rendered during 1990.

Compensation received other than in cash or pursuant to compensation plans did not exceed $25,000 or 10% of the reported compensation with respect to each executive officer named in the table, and in the case of the group did not exceed $375,000 or 10% of the total aggregate compensation, except that Mr. Pichler received such compensation in the amount of $28,176.

COMPENSATION PURSUANT TO PLANS

The Company maintains various benefit plans which are available to management and certain other employees. The Company derives the benefit of certain tax deductions as a result of its contributions to some of the plans. Each of the executive officers of the Company was eligible to participate in one or more of the following plans.

THE KROGER CO. SAVINGS PLAN

The Kroger Co. Savings Plan is a savings plan established pursuant to Section 401(k) of the Internal Revenue Code. Management, administrative and hourly employees who are at least 21 years old, who have completed one year of service with the Company, and who meet certain minimum compensation requirements are eligible to participate in the plan. Participants in the plan may defer a portion of their compensation and direct the investment of those funds among three alternatives: 1) an Income Fund with a guaranteed rate of return based on insured guaranteed investment contracts; 2) an Equity Fund invested in a mutual fund; and 3) a Common Stock Fund invested in Kroger Common Stock. Upon termination of employment, a participant in the plan or his or her beneficiary is entitled to a distribution of the fair market value of all amounts invested in the three funds on behalf of the participant. Participants may also withdraw or borrow up to specified amounts from the plan while employed.

For the 1991 fiscal year, the Company will make a 10% matching contribution in the form of Kroger stock for employee savings in the Kroger Common Stock Fund. The Company will also make a supplemental matching contribution in the form of Kroger stock on employee savings in all three funds if the Company achieves specified levels of earnings before interest, taxes, depreciation and LIFO charge ("EBITD"). The maximum matching contribution would be 20% of the employee's contributions if the Company achieves $1,094,923,500 of EBITD. Based upon the improvement in EBITD in 1990 over 1989, the Company made a similar matching contribution of 6% for 1990.

The Company also maintains The Kroger Co. Savings Plan for Bargaining Unit Employees which has substantially the same terms as described above. The Company has also established the same matching contributions for 1991 for this plan.

THE KROGER CO. EMPLOYEE STOCK OWNERSHIP PLAN

The Company maintained an employee stock ownership plan, The Kroger Co. Employee Stock Ownership Plan (the "KESOP"). Effective December 29, 1990, the KESOP was merged into The Kroger Co. Savings Plan and The Kroger Co. Savings Plan for Bargaining Unit Employees. The KESOP had provided for Company contributions of cash or common shares allocated equally to the accounts of the participating employees, including executive officers. During 1990, participation in the KESOP was automatic for all Kroger employees (and employees of Kroger subsidiaries which have adopted the plan) who had, prior to 1988, completed at least three years of employment with the Company, had met the minimum earnings standard established by federal law, and were employed on the last day of the year. Each participating employee has a non-forfeitable right to his or her account which will be distributed upon termination of employment for any reason. For the Company's fiscal year 1990, no shares of Kroger stock were allocated.

EXECUTIVE BENEFIT PROTECTION GROUP LIFE INSURANCE PLAN

The Company maintains Executive Benefit Protection Group Life Insurance and Supplemental Death Benefit Plans for certain executive officers and other key executive employees selected by the Compensation Committee of the Board of Directors. The Plans provide for the sharing of policy premium payments by the participant and the Company, and the sharing of policy proceeds by the participant's beneficiary and the Company. There were no amounts expensed during 1990 with respect to these Plans for Messrs. Everingham, Pichler, Sinkula, and Bere, nor were any amounts expensed for all executive officers as a group. Participants were required to make payments in 1990 to purchase insurance. Mr. David Dillon does not participate in these Plans.

The Kroger Co. Employee Protection Plan

The Company adopted The Kroger Co. Employee Protection Plan ("KEPP") during fiscal 1988. All management employees, including the executive officers, and administrative support personnel of the Company with at least one year of service are covered. KEPP provides for severance benefits and the extension of Company paid health care in the event an eligible employee actually or constructively is terminated from employment without cause within two years following a change of control of the Company (as defined in the plan). For persons over 40 years of age with more than six years of service, severance pay ranges from approximately 9 to 18 months' salary and bonus, depending upon Company pay level and other benefits. KEPP may be amended or terminated by the Board of Directors at any time prior to a change of control.

Pension Plans

The Company maintains the Kroger Retirement Benefit Plan, a defined benefit plan, to provide pension benefits to retired or disabled management employees. The Plan generally provides for benefits at age 62 or later equal to 1½% times the years of service, after attaining age 21, times the highest average earnings (excluding long-term bonuses) for any period of five consecutive years during the ten calendar years preceding retirement, less an offset tied to Social Security benefits. The Company also maintains an Excess Benefits Plan under which the Company pays benefits under this formula which exceed the maximum benefit payable under ERISA by defined benefit plans. Remuneration earned by Messers. Everingham, Pichler, Sinkula and Bere in 1990, which was covered by the Plan was $993,448, $688,689, $411,962 and $362,376, respectively. As of December 29, 1990, they had 39, 3, 11, and 33 years of credited service, respectively. The following table gives examples of retirement benefits payable on a straight-life basis under the Company's retirement program.

Five Year Average Remuneration	Years of Service After Age 21				
	20	25	30	35	40
$150,000	$ 45,000	$ 56,250	$ 67,500	$ 78,750	$ 90,000
250,000	75,000	93,750	112,500	131,250	150,000
450,000	135,000	168,750	202,500	236,250	270,000
650,000	195,000	243,750	292,500	341,250	390,000
850,000	255,000	318,750	382,500	446,250	510,000
900,000	270,000	337,500	405,000	472,500	540,000

No deductions have been made in the above table for offsets tied to Social Security benefits.

Dillon Plans

Dillon Companies, Inc. and its subsidiaries maintain pension, profit sharing, stock ownership, and savings plans that provide benefits at levels comparable to the plans described above. David B. Dillon participates in these plans. In addition, Mr. Pichler has six years of credited service under certain of the pension and profit sharing plans, but no further credited service will be accrued for him under such plans.

Under the Dillon Profit Sharing and Savings Plans, Dillon and each of its subsidiaries contributes a certain percentage of its net income, determined annually, to its plans to be allocated among its participating employees based on the percent each such participating employee's total compensation bears to the total compensation of all participating employees employed by such entity. On a participating employee's termination after the age of 60 (or prior thereto after 10 years of service), death or disability, he is entitled to his full account balance. To update and supplement these plans, Dillon and several of its subsidiaries have adopted Minimum Benefit Pension Plans for their eligible employees. Under these plans, the normal retirement benefit for eligible employees is a certain percentage of average compensation during a certain period of

employment multiplied by the years of credited service (in some of these plans there is a maximum period of credited service), minus the benefit provided by the Profit Sharing and Savings Plan. The amounts contributed by Dillon and its subsidiaries pursuant to these Minimum Benefit Pension Plans is not readily ascertainable for any individual, and thus is not set forth with respect to Mr. Dillon. Mr. Dillon has 15 years of credited service.

The following table shows the estimated annual pension payable upon retirement to persons covered by Dillon's Profit Sharing and Savings Plan and Dillon's Minimum Benefit Pension Plan.

Average Compensation	Years of Service 20	25	30	35	40
$150,000	$ 30,000	$ 37,500	$ 45,000	$ 52,500	$ 60,000
250,000	50,000	62,500	75,000	87,500	100,000
300,000	60,000	75,000	90,000	105,000	120,000
400,000	80,000	100,000	120,000	140,000	160,000
500,000	100,000	125,000	150,000	175,000	200,000

Stock Options

The Company has granted stock options and restricted stock to the executive officers under several employee stock option plans which were approved previously by shareholders. The plans are administered by the Compensation Committee of the Board of Directors, and all officers and executives of the Company and its subsidiaries are eligible to participate in the plans. Both non-qualified and incentive stock options may be granted under the Company's shareholder-approved stock option plans, and options may be granted with or without stock appreciation rights. Options normally are fully exercisable after six months and expire ten years from the date of grant. The purchase price of shares acquired upon exercise of options is equal to the fair market value of the shares at the time of grant. Stock appreciation rights entitle the optionee to a cash payment or the equivalent value in stock equal to the difference between the current market price of a share of the Company's common stock and the option price. Restricted stock may be granted by the Compensation Committee and is subject to absolute restriction on sale, pledge or other transfer so long as the restrictions are in force. If the holder of restricted stock terminates his or her employment with the Company prior to the lapse of the restriction, ownership of the stock is forfeited to the extent that the restrictions have not lapsed. The holder of the restricted stock is entitled to receive dividends and to vote the shares. In the event that a change of control of the Company occurs, all options become immediately exercisable and all restrictions on restricted stock lapse.

In 1988, the Board of Directors amended the plans to permit the Compensation Committee to grant limited stock appreciation rights to executive officers of the Company in tandem with outstanding or newly granted stock options. Limited stock appreciation rights permit the holder to receive the spread between the market price and exercise price upon the exercise of the options following a change of control of the Company. Limited stock appreciation rights operate in tandem with the related stock options and the exercise of one extinguishes any rights with respect to the other. In 1988 the Compensation Committee granted limited stock appreciation rights with respect to all then outstanding stock options granted to executive officers.

The following tabulation sets forth pertinent information with respect to all options granted or exercised during the period December 30, 1989, through December 29, 1990, pursuant to the 1981 Stock Option Plan, the 1985 Stock Incentive Plan, and the 1990 Executive Stock Option Plan with respect to the five executive officers listed below and all persons, as a group, serving as executive officers on February 1, 1991, including transactions when said persons did not hold such office.

	Options Granted	
Name	Number of Options (1)	Average Per Share Exercise Price
Lyle Everingham	25,000	$12.4400
Joseph A. Pichler	70,000	13.5650
William J. Sinkula	30,000	13.3150
Richard L. Bere	40,000	13.5338
David B. Dillon	30,000	13.3150
15 Executive Officers as a group (including those named above)	315,500	$13.0779

(1) As of February 1, 1991, there were no stock appreciation rights or limited stock appreciation rights outstanding.

These figures may include options granted during this time period which have been exercised as of February 1, 1991.

In addition, other employees of the Company were granted options during this period for 2,300,615 shares at an average price of $12.5107 per share. As of February 1, 1991, options for 6,952, 165,980, and 2,000,000 shares may be granted under the 1981, 1985 and 1990 plans, respectively.

During this same period 0, 60,000, 20,000, 30,000, 20,000, and 132,000 restricted shares were granted to Messrs. Everingham, Pichler, Sinkula, Bere, Dillon, and all executive officers as a group, respectively.

During 1990, Messrs. Everingham, Pichler, Sinkula, Bere, and Dillon, and all the executive officers as a group received $1,104,496, $80,456, $0, $160,100, $232,551, and $1,577,604, respectively, for stock options they exercised. These amounts were based on the spread between the market price and the option price on the date of exercise.

The Company also maintains stock option plans which cover employees who are not executives. These plans operate similarly to the ones described above and are administered by a committee of employees not eligible to receive options under these plans.

Employment Contracts

The Company entered into an employment agreement with Mr. Everingham dated October 24, 1986, providing that he will, after ceasing to be an officer and in exchange for his availability to provide certain advisory and consulting services, receive each year an amount equal to 25% of his highest annual basic salary during his employment period. The agreement with Mr. Everingham, now age 64, provides for his employment until May 5, 1991, or such earlier date as Mr. Everingham chooses to retire. Mr. Everingham has announced his retirement from the Company effective May 18, 1991.

The Company has entered into an employment agreement with Mr. Pichler dated June 17, 1990, which provides for Mr. Pichler's employment until October 4, 2015. Under this contract, the Company agrees to pay Mr. Pichler at least $400,000 a year, subject to reduction in certain cases, not to exceed 25% in the aggregate, and to continue, for five years, to pay Mr. Pichler's salary to him or his beneficiary in the event Mr. Pichler's employment terminates prior to October 4, 2015. The contract also provides that after his termination of employment for any reason after age 62, Mr. Pichler will, in exchange for his availability to provide certain consulting services, receive each year an amount equal to 25% of the highest salary paid him during the term of this agreement. The Company also agrees that upon the termination of Mr. Pichler's employment for any reason other than death prior to his 70th birthday, Mr. Pichler will receive at least $50,000 a year until his 70th birthday or his earlier death.

Beneficial Ownership Of Common Stock

As of February 1, 1991, the directors of the Company, and the directors and executive officers as a group, beneficially owned shares of the Company's common stock as follows:

Name	Amount and Nature of Beneficial Ownership
Reuben V. Anderson	400 (9)
Richard L. Bere	76,822.6559 (7)(8)
Raymond B. Carey, Jr.	21,340
John L. Clendenin	400
Ray E. Dillon, Jr.	121,800 (1)
Richard W. Dillon	264,050 (2)
Lyle Everingham	370,634.06 (3)(7)(8)
Jackson C. Hinds	18,200
John T. LaMacchia	500
Patricia Shontz Longe	4,000
T. Ballard Morton, Jr.	10,000
Thomas H. O'Leary	800
John D. Ong	400
Joseph A. Pichler	229,120.57 (4)(7)(8)
Martha Romayne Seger	0 (10)
Otis M. Smith	2,200
Directors and Officers as a group (including those named above)	1,617,885.26 (5)(6)(7)(8)

(1) This amount does not include 138,200 shares owned by Mr. Ray E. Dillon, Jr.'s wife; or 489,800 in his father's trust of which he and Richard W. Dillon are co-trustees. Mr. Dillon disclaims beneficial ownership of these shares.

(2) This amount does not include 95,116 shares owned by Mr. Richard Dillon's wife; or 489,800 in his father's trust of which he and Ray E. Dillon, Jr. are co-trustees. Mr. Dillon disclaims beneficial ownership of these shares.

(3) This amount does not include 49,436 shares owned by Mr. Everingham's wife. Mr. Everingham disclaims beneficial ownership of these shares.

(4) This amount does not include 705 shares owned by Mr. Pichler's wife, or 2,764 shares owned by his children. Mr. Pichler disclaims beneficial ownership of these shares.

(5) The figure shown does not include an aggregate of 72,997 shares held by, or for the benefit of, the immediate families or other relatives of all directors and officers as a group. In each case the director or officer disclaims beneficial ownership of such shares.

(6) No director or officer owned as much as 1% of common stock of the Company. The directors and officers as a group beneficially owned 3.4% of common stock of the Company.

(7) This amount does not include shares which represent options exercisable on or before April 1, 1991, in the following amounts: Mr. Bere, 68,777; Mr. Everingham, 292,550; Mr. Pichler, 160,080; and all directors and officers as a group, 1,335,096.

(8) The fractional interest results from allocations under Kroger's KESOP and 401(k) plan and Dillon's ESOP and 401(k) plan.

(9) Mr. Anderson purchased these 400 shares on February 11, 1991.

(10) Dr. Seger recently resigned from the Board of Governors of the Federal Reserve System. While in this position, Dr. Seger was not permitted to own any stocks. Dr. Seger intends to purchase shares of the Company's common stock in the near future.

As of February 28, 1991, the following persons reported beneficial ownership of the Company's common stock as follows:

Name	Address	Number of Shares	Percentage of Class
The Kroger Co. Savings Plan	1014 Vine Street Cincinnati, OH 45202-1100	9,228,211	10.6%
The Dillon Cos. Employee Master Trust	700 East 30th Street Hutchinson, KS 67052	6,953,301	8.0
Janus Capital Corporation	100 Fillmore Street Suite 300 Denver, Colorado 80206-9916	5,719,050	6.6
The Kroger Co. Employee Stock Purchase Plan	1014 Vine Street Cincinnati, OH 45202-1100	4,783,064	5.5

The Company knows of no additional persons owning more than 5% of the Company's common stock.

Selection Of Auditors
(Item No. 2)

The Board of Directors, on February 7, 1991, appointed the firm of Coopers & Lybrand as Company auditors for 1991, subject to ratification by shareholders. This appointment was recommended by the Company's Audit Committee, comprised of directors who are not employees of the Company. If the firm is unable for any reason to perform these services, other independent auditors will be selected to serve for the remainder of the year. Ratification of this appointment requires the adoption of the following resolution by the affirmative vote of the holders of a majority of the shares represented at the meeting:

"RESOLVED, That the appointment by the Board of Directors of Coopers & Lybrand as Company auditors for 1991 be and it hereby is ratified."

Fees for all audit services provided by Coopers & Lybrand in 1990 totaled $694,993. In addition, fees totaling $220,510 were charged for non-audit services.

A representative of Coopers & Lybrand is expected to be present at the meeting to respond to appropriate questions and to make a statement if he desires to do so.

THE BOARD OF DIRECTORS AND MANAGEMENT RECOMMEND A VOTE FOR THIS PROPOSAL.

SHAREHOLDER PROPOSALS—1992 ANNUAL MEETING. Shareholder proposals intended for inclusion in the Company's proxy material relating to the Company's annual meeting in May 1992 should be addressed to the Secretary of the Company and must be received at the Company's executive offices not later than December 3, 1991.

Attached to this Proxy Statement is the Company's 1990 Annual Report which includes a brief description of the Company's business indicating the general scope and nature of such business during 1990, together with the audited financial information contained in the Company's 1990 report to the Securities and Exchange Commission on Form 10-K.

A copy of that report is available to shareholders on request by writing: Lawrence M. Turner, Treasurer, The Kroger Co., 1014 Vine Street, Cincinnati, Ohio 45202-1100 or by calling 1-513-762-1220.

The management knows of no other matters that are to be presented at the meeting but, if any should be presented, the Proxy Committee expects to vote thereon according to its best judgment.

By order of the Board of Directors,

Norma Skoog, Secretary

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of The Kroger Co. has the responsibility for preparing the accompanying financial statements and for their integrity and objectivity. The statements were prepared in accordance with generally accepted accounting principles applied on a consistent basis and are not misstated due to material error or fraud. The financial statements include amounts that are based on management's best estimates and judgements. Management also prepared the other information in the report and is responsible for its accuracy and consistency with the financial statements.

The Company's financial statements have been audited by Coopers & Lybrand, independent certified public accountants, elected by the shareholders. Management has made available to Coopers & Lybrand all the Company's financial records and related data, as well as the minutes of stockholders' and directors' meetings. Furthermore, management believes that all representations made to Coopers & Lybrand during its audit were valid and appropriate.

Management of the Company has established and maintains a system of internal control that provides reasonable assurance as to the integrity of the financial statements, the protection of assets from unauthorized use or disposition, and the prevention and detection of fraudulent financial reporting. The system of internal control provides for appropriate division of responsibility and is documented by written policies and procedures that are communicated to employees with significant roles in the financial reporting process and updated as necessary. Management continually monitors the system of internal control for compliance. The Company maintains a strong internal auditing program that independently assesses the effectiveness of the internal controls and recommends possible improvements thereto. In addition, as part of its audit of the Company's financial statements, Coopers & Lybrand completed a review of selected internal accounting controls to establish a basis for reliance thereon in determining the nature, timing and extent of audit tests to be applied. Management has considered the internal auditor's and Coopers & Lybrand's recommendations concerning the Company's system of internal control and has taken actions that we believe are cost-effective in the circumstances to respond appropriately to these recommendations. Management believes that, as of December 29, 1990, the Company's system of internal control is adequate to accomplish the objectives discussed herein.

Management also recognizes its responsibility for fostering a strong ethical climate so that the Company's affairs are conducted according to the highest standards of personal and corporate conduct. This responsibility is characterized and reflected in the Company's code of corporate conduct, which is publicized throughout the Company. The code of conduct addresses, among other things, the necessity of ensuring open communication within the Company; potential conflicts of interests; compliance with all domestic and foreign laws, including those relating to financial disclosure; and the confidentiality of proprietary information. The Company maintains a systematic program to assess compliance with these policies.

Joseph A. Pichler
Chairman of the Board and
Chief Executive Officer

William J. Sinkula
Executive Vice President and
Chief Financial Officer

AUDIT COMMITTEE CHAIRMAN'S LETTER

The Audit Committee of the Board of Directors is composed of six independent directors. The committee held two meetings during fiscal year 1990. In addition, members of the committee received and reviewed various reports from the Company's internal auditor and from Coopers & Lybrand throughout the year.

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. In fulfilling its responsibility, the Committee recommended to the Board of Directors, subject to shareowner approval, the selection of the Company's independent public accountant, Coopers & Lybrand. The Audit Committee discussed with the Company's internal auditor and Coopers & Lybrand the overall scope and specific plans for their respective audits. The committee also discussed the Company's consolidated financial statements and the adequacy of the Company's internal controls. At each meeting, the committee met with the Company's internal auditor and Coopers & Lybrand, in each case without management present, to discuss the results of their audits, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting. The meetings also were designed to facilitate any private communications with the committee desired by the Company's internal auditor or Coopers & Lybrand.

John L. Clendenin
Chairman—Audit Committee

Report of Independent Accountants

To the Shareowners and Board of Directors
The Kroger Co.

We have audited the accompanying consolidated balance sheet of The Kroger Co. as of December 29, 1990 and December 30, 1989, and the related consolidated statements of operations and accumulated earnings (deficit), and cash flows for the years ended December 29, 1990, December 30, 1989 and December 31, 1988. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Kroger Co. as of December 29, 1990 and December 30, 1989, and the consolidated results of operations and cash flows for the years ended December 29, 1990, December 30, 1989 and December 31, 1988, in conformity with generally accepted accounting principles.

Coopers & Lybrand

Coopers & Lybrand
Cincinnati, Ohio
February 5, 1991

THE COMPANY

The Kroger Co. (the "Company") was founded in 1883 and incorporated in 1902. The Company is one of the largest grocery retailers in the United States. The Company also manufactures and processes food for sale by its supermarkets. The Company's principal executive offices are located at 1014 Vine Street, Cincinnati, Ohio, 45202 and its telephone number is (513) 762-4000.

As of December 29, 1990, the Company operated 1,255 supermarkets, most of which are leased. Of this number, 1,025 supermarkets were operated principally under the Kroger name in the Midwest and South. Dillon Companies, Inc. ("Dillon"), a wholly-owned subsidiary of the Company, operated 230 supermarkets directly or through wholly-owned subsidiaries (the "Dillon Supermarkets"). The Dillon Supermarkets, principally located in Colorado, Kansas, Arizona and Missouri operate under the names "King Soopers", "Dillon Food Stores", "Fry's Food Stores", "City Market", "Gerbes Supermarkets" and "Sav-Mor".

As of December 29, 1990, the Company, through its Dillon subsidiary, was the fourth largest operator of convenience stores in the United States. Dillon operates 959 convenience stores under the trade names of "Kwik Shop", "Quik Stop Markets", "Time Saver Stores", "Tom Thumb Food Stores", "Turkey Hill Minit Markets", "Loaf 'N Jug", and "Mini-Mart". The convenience stores offer a limited assortment of staple food items and general merchandise and, in most cases, sell gasoline.

The Company intends to develop new food and convenience store locations and will continue to assess existing stores as to possible replacement, remodeling, enlarging or closing.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company's financial strategy is designed to deleverage its balance sheet. The underlying principles of this strategy are:

* Maintain a healthy sales base by protecting market share and generating increases in identical store sales above the rate of inflation.
* Maintain a steady growth in earnings before interest, taxes, depreciation, LIFO charge and unusual items (EBITD). EBITD has been a key measure of the Company's performance since the restructuring in 1988; most key covenants under the bank credit agreement and indentures underlying publicly issued debt are based on EBITD.
* Maintain the strong cost control discipline implemented after the restructuring in 1988 in both cost of product and employee related costs.
* Take advantage of opportunities to reduce interest expense and to extend debt maturities.
* Maintain a level of capital spending that will enable the Company to construct, replace or remodel 10 percent of its store base each year.

Results of Operations

Sales

Sales in the fourth quarter 1990 continued the favorable trend of the first three quarters and exceeded 1989's record fourth quarter by 7.1%. Sales for the full year also reached record levels, exceeding $20 billion for the first time in the Company's history. A review of sales by lines of business for the three years ended December 29, 1990 includes:

	% of 1990 Sales	1990 Amount	1990 Change	1989 Amount	1989 Change	1988 Amount	1988 Change
				(millions of dollars)			
Food Stores	91.2%	$18,485	+ 7.7%	$17,161	+ 7.5%	$15,965	+ 5.8%
Convenience Stores	4.3%	863	+10.2%	783	+12.1%	698	+16.7%
Other Sales	4.5%	913	+ 2.9%	888	+ 3.9%	854	+19.5%
Continuing Sales	100.0%	20,261	+ 7.6%	18,832	+ 7.5%	17,517	+ 6.8%
Divested Unit Sales		N/A		272		1,536	
Total Reported Sales		$20,261	+ 6.1%	$19,104	+ 0.3%	$19,053	+ 7.9%

Food stores sales include the former Great Scott! stores in Michigan which were acquired during the third quarter 1990. Excluding those sales, food stores sales increased 7.1% for the full year. Sales in identical food stores (those operating a full year) increased 6.5% from 1989. A primary reason for the increase in identical store sales is the continuing acceptance of the Company's combination store format. The Company invested heavily in this format during the mid-eighties and the stores are reaching their years of optimal performance. This rate of growth exceeded both the Company's internal rate of inflation and 1989's increase of 5.3%.

Convenience store sales gains in 1990 were due largely to increases in gasoline prices. Gasoline sales dollars in identical stores increased 17.1% on a 1.9% increase in gallons of gasoline sold. Grocery sales in identical stores increased 3.3% in 1990 and .34% in 1989.

Total food store square footage, including Great Scott!, increased 2.7% during 1990 and 1.5% in 1989. Convenience store square footage increased .53% in 1990 and .12% in 1989. Sales per average square foot for the last three years were:

	Total Sales Per Average Square Foot 1990	1989	1988
Food Stores	$386	$359	$348
Convenience Stores	$360	$328	$305

Other sales include outside sales by the Company's manufacturing divisions and sales of general merchandise to a drug store company in which the Company maintains an equity interest.

EBITD

The Company's Credit Agreement, dated December 20, 1989, and the indentures underlying approximately $1.5 billion of publicly issued debt contain various restrictive covenants, many of which are based on EBITD. The ability to generate EBITD at levels sufficient to satisfy the requirements of these agreements has become a key measure of the Company's financial strength. During 1990, EBITD increased 7% to $959.0 million compared to $896.2 million from continuing units in 1989 and $734.5 million from continuing units in 1988.

This increase in EBITD combined with reductions in cash interest expense allowed the Company to obtain two interest rate reductions under its Credit Agreement. As a result, on June 20, 1990 and December 20, 1990 the interest rate spread over the London Interbank Offered Rate (LIBOR) under the Credit Agreement was reduced by 1/4 of 1% for a total decline of 1/2 of 1% during the year. Based on year-end borrowing levels, this represents a savings of approximately $6.6 million in cash interest expense annually. See the discussion of interest expense below.

Merchandise Costs

Merchandise costs include warehousing and transportation expenses and LIFO charges. For 1989 and 1988, merchandise costs also includes expenses from divested units and certain expenses relating to the Company's manufacturing operations which are reflected in operating, general and administrative (OG&A) expenses in 1990.

The following table shows the relative effect that LIFO charges, expenses for divested units and the change in reporting certain manufacturing expenses have had on merchandising costs as a percent of sales.

	1990	1989	1988
Merchandise costs as reported	77.34%	77.71%	77.80%
LIFO charge	.20%	.28%	.30%
Manufacturing expense charge	N/A	.13%	.05%
Divested unit expenses	N/A	.11%	.36%
Merchandise costs as adjusted	77.14%	77.19%	77.09%

The consistency of merchandise costs as a percent to sales reflects the Company's commitment to cost controls. In 1989, the Company experienced competitive pressures in several key markets and higher wholesale costs on perishable commodities because of the drought, but was able to keep overall merchandise costs in line. In addition, the Company's geographic diversity allows it to meet competition and protect market share in some markets while preserving the attainability of overall Company goals.

Operating, General and Administrative Expenses

OG&A expenses for 1990 include the effect of certain expenses related to the Company's manufacturing operations which were reflected in merchandise costs in 1989 and 1988. The years 1989 and 1988 also include the effect of the units divested as part of the restructuring in 1988. Excluding the above items, OG&A expenses as a percent of sales were:

	1990	1989	1988
OG&A expenses as reported	16.89%	16.58%	17.18%
Manufacturing expense charge	N/A	.13%	.05%
Divested unit expenses	N/A	.09%	.23%
OG&A expenses as adjusted	16.89%	16.80%	17.46%

The decline in costs from 1988 is due mainly to fewer store openings, lower labor costs and reduced corporate overhead. Reductions in corporate overhead in 1988 produced savings of $15.7 million in 1989 and $16.9 million in 1990 compared to 1988. The slight increase in rate during 1990 is related to the increase in incentive plan expenses. Incentive payments are extended to employees at all levels giving them the opportunity to benefit from the improved performance of the Company.

Income Taxes

The effective income tax rates were 41.5%, 35.8%, and 33.4% for 1990, 1989, and 1988, respectively. The 1990 effective rate includes the effect of additional tax expense of $6.0 million resulting from the Company's settlement of all issues with the Internal Revenue Service (IRS) for fiscal years through 1983.

Net Earnings

Net earnings totaled $82.4 million in 1990 compared to a loss of $72.7 million in 1989 and earnings of $34.5 million in 1988. The increase in 1990 compared to 1989 results from: (i) an extraordinary loss in 1989 of $56.5 million related to the early extinguishment of debt, (ii) a net interest expense reduction in 1990 of $75.0 million, (iii) a reduction in the Company's 1990 LIFO charge of $11.8 million, and (iv) a one time after-tax gain in 1990 of $10.6 million from the sale of an equity investment in an unaffiliated company and the settlement of all issues with the IRS through fiscal year 1983.

The changes from 1988 are due to a $195.0 million pre-tax charge related to the restructuring in 1988. Additionally, 1990 and 1989 include a full year's interest expense related to the restructuring in 1988.

Liquidity and Capital Resources

Debt Management and Interest Expense

The Company intends to take advantage of opportunities to reduce interest expense and extend debt maturities. These objectives are important to the overall goal of deleveraging the balance sheet.

The average maturity of long-term debt at January 1990 compared to December 1988 increased to 11 years from 7¾ years as a result of the $2,050 million Credit Agreement, and a $612.5 million mortgage package entered into in December 1989 and a $250 million senior unsecured note placement in January 1990. As of year-end 1990, the average maturity of the Company's long-term debt was 10¾ years. In addition, total long-term debt, including capital leases, declined a net $254 million, including accretion in the Junior Subordinated Discount Debentures of $118.2 million, from year end 1989 to year end 1990.

As a result of the above reductions in long-term debt and refinancings, required repayments over the next five years have been reduced to $721.1 million compared to $826.7 million at year end 1989 and $1,792.1 million at year end 1988.

Scheduled debt maturities for the five years subsequent to 1990, 1989 and 1988 were:

	1990	1989	1988
Year 1	$ 90,459	$135,295	$334,975
Year 2	$153,783	$172,890	$238,641
Year 3	$165,849	$167,125	$339,361
Year 4	$157,313	$180,112	$433,406
Year 5	$153,657	$171,258	$445,695

Maturities shown for 1989 are after the $250 million Senior Note placement that occurred in January 1990.

The average interest rate on the Company's bank debt, which totaled $1.1 billion at year end 1990, after giving effect to interest rate swaps was 9.18% compared to 10.60% at the end of 1989. The decline in the average rate is the result of generally lower market rates and the ½ % reduction in the Company's spread over LIBOR mentioned above. The Company's rate on the bank debt is variable. To take advantage of the favorable interest rates the Company has entered into several interest rate swap agreements. The Company entered into five two-year swaps totaling $400 million starting December 21, 1990. The swaps fix the rate on $400 million of variable rate debt at 8.02% for two years. Subsequent to year end, the Company entered into two one-year swaps starting June 21, 1991 for a total of $300 million. These swaps fix the rate on $300 million of variable rate debt for one year at 7.5%. Also, the Company entered into three one-year swaps totaling $400 million starting January 29, 1991. These swaps fix the rate on $400 million of variable rate debt at 7.15%. In total, the Company has entered into $1.1 billion of swaps at an average rate of 7.56%. The Company's borrowing rate under the Credit Agreement is based on LIBOR plus 1.25%. The Company currently expects that 1991 net interest expense will be approximately $530 to $540 million, compared to $558.1, $633.1 and $197.6 in 1990, 1989 and 1988, respectively. The increase from 1988 was the result of debt related to the restructuring which was outstanding for only 2 months during 1988.

To meet any short-term liquidity needs the Company has available an $850 million Working Capital line. A portion of the Company's short-term borrowings are permitted to be in the form of commercial paper. At December 29, 1990, the Company had $126.0 million of commercial paper outstanding. At year-end 1990, excluding amounts available as backup for the Company's unrated commercial paper program, $251.6 million was available under this line. There are no annual principal payments required under the Working Capital line, which expires on January 3, 1996.

Repurchase of Subordinated Debt

As of the end of 1990, the Company had repurchased $30.1 million of Senior Subordinated Debentures. In addition, the Company had achieved sufficient EBITD and reductions in interest costs to effect a Consolidated Debt Service Coverage Ratio (the "Ratio"), as defined in the Senior Subordinated and Subordinated Debentures Indentures, of greater than 1.75. These indentures permit the Company, *inter alia,* to repurchase Subordinated and Junior Subordinated Discount Debentures so long as such repurchase results in a Ratio of 1.75 or more. In the absence of an unfavorable change in interest rates or EBITD, the Company may from time to time repurchase Subordinated and Junior Subordinated Discount Debentures as market conditions permit. Such repurchases could be financed with lower-interest borrowings under the Credit Agreement or proceeds from other financings.

Capital Expenditures

Capital expenditures, including the acquisition of Great Scott!, totaled $219.5 million for 1990, compared to $131.3 million in 1989 and $324.2 million in 1988. During 1990 the Company opened or acquired 48 food stores and 10 convenience stores compared to 26 food stores and 17 convenience stores in 1989. The Company expects capital expenditures to average between $175 and $200 million for each of the next three years. This level of spending assumes the Company will be able to continue leasing the land and building portion of new stores. This level of spending, which is expected to be financed by internally generated funds, should be sufficient to open or acquire 35-40 new or expanded food stores and for the remodeling of 100 food stores each year. This spending plan should fulfill the Company's objective to construct, replace or remodel 10 percent of its existing store base each year.

Consolidated Statement of Cash Flows

During 1990 the Company generated $497.8 million in cash from operating activities compared to $407.7 million in 1989 and $529.0 million in 1988. The decline from 1988 is due to increased interest expense as a result of the restructuring in 1988. The increase from 1989 is reflective of the improved operating results during 1990, including a $98.7 million reduction in cash interest expense.

Investing activities used $190.8 million of cash in 1990 compared to $166.7 million of cash provided in 1989. The difference is due to increased capital expenditures in 1990 of $219.5 million, including the Great Scott! purchase, compared to $131.3 million in 1989 and because 1989 included $223.9 million in cash provided from assets divested as part of the restructuring in 1988.

Cash used by financing activities totaled $367.9 million which includes a net reduction in debt, other than capital leases and the increase in Junior Subordinated Discount Debentures, of $376.0 million. Capital leases and the Junior Subordinated Discount Debentures are excluded because their increases are a result of non-cash items. The decline in cash used from financing activities in 1990 versus 1989 is due to the high level of financing costs incurred in 1989.

Other Issues

In December, 1990 the Financial Accounting Standards Board issued Statement on Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions". The pronouncement is effective for fiscal years beginning after December 15, 1992 although earlier implementation is allowed. The Company has not yet determined when the new principle will be implemented or its impact on the Company's financial statements.

Consolidated Balance Sheet

(In thousands of dollars)	December 29, 1990	December 30, 1989
ASSETS		
Current assets		
Cash and temporary cash investments	$ 54,543	$ 115,475
Receivables	276,958	280,491
Inventories:		
FIFO cost	1,846,937	1,753,563
Less LIFO reserve	(399,307)	(358,462)
	1,447,630	1,395,101
Property held for sale	37,260	23,376
Prepaid and other current assets	133,841	219,090
Total current assets	1,950,232	2,033,533
Property, plant and equipment, net	1,874,194	1,912,085
Investments and other assets	294,116	296,369
Total Assets	$4,118,542	$4,241,987
LIABILITIES		
Current liabilities		
Current portion of long-term debt	$ 90,459	$ 165,706
Current portion of obligations under capital leases	6,030	5,615
Accounts payable	1,197,535	1,131,810
Other current liabilities	768,005	753,135
Total current liabilities	2,062,029	2,056,266
Long-term debt	4,409,451	4,592,303
Obligations under capital leases	148,387	145,090
Deferred income taxes	272,581	293,825
Other long-term liabilities	86,555	120,046
Total Liabilities	6,979,003	7,207,530
SHAREOWNERS' DEFICIT		
Common capital stock, par $1		
Authorized: 350,000,000 shares		
Issued: 1990—102,170,937 shares		
1989—101,639,176 shares	103,778	101,639
Accumulated deficit	(2,540,580)	(2,609,090)
Common stock in treasury, at cost		
1990—16,594,285 shares		
1989—17,918,827 shares	(423,659)	(458,092)
Total Shareowners' Deficit	(2,860,461)	(2,965,543)
Total Liabilities and Shareowners' Deficit	$4,118,542	$4,241,987

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Operations and Accumulated Earnings (Deficit)

Years Ended December 29, 1990, December 30, 1989 and December 31, 1988

(In thousands, except per share amounts)	1990 (52 Weeks)	1989 (52 Weeks)	1988 (52 Weeks)
Sales	**$20,260,974**	$19,103,671	$19,053,020
Costs and expenses			
Merchandise costs, including warehousing and transportation	**15,669,671**	14,845,637	14,823,687
Operating, general and administrative	**3,420,620**	3,168,063	3,272,956
Rent	**252,500**	242,406	258,147
Depreciation and amortization	**244,663**	241,240	253,839
Interest expense	**563,805**	648,968	208,006
Dividend and interest income	**(5,734)**	(15,861)	(10,453)
Restructuring and other charges (credits)	**(26,754)**	(18,043)	195,000
Total	**20,118,771**	19,112,410	19,001,182
Earnings (loss) before taxes based on income, and extraordinary loss	**142,203**	(8,739)	51,838
Taxes based on income	**58,913**	7,512	17,316
Earnings (loss) before extraordinary loss	**83,290**	(16,251)	34,522
Extraordinary loss, net of income tax credit	**(910)**	(56,471)	
Net Earnings (Loss)	**$ 82,380**	$ (72,722)	$ 34,522
Accumulated Earnings (Deficit)			
Beginning of year	**$(2,609,090)**	$(2,516,592)	$ 1,094,518
Net earnings (loss)	**82,380**	(72,722)	34,522
Dividends on common stock (including related costs of $31,252 in 1988)			(3,629,769)
Sales of treasury stock below average cost	**(13,870)**	(17,486)	
Cash dividends on preferred stock		(2,290)	(15,863)
End of year	**$(2,540,580)**	$(2,609,090)	$(2,516,592)
Earnings (Loss) per Common Share			
Earnings (loss) before extraordinary loss	**$.96**	$(.23)	$.24
Extraordinary loss	**(.01)**	(.69)	
Net earnings (loss)	**$.95**	$(.92)	$.24
Cash Dividends Per Common Share			$.8225
Special Dividend Per Common Share			$48.69
Shares Used For Per Share Calculations	**86,565**	81,632	79,260

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

Years Ended December 29, 1990, December 30, 1989 and December 31, 1988

(In thousands of dollars)	1990 (52 Weeks)	1989 (52 Weeks)	1988 (52 Weeks)
Cash Flows From Operating Activities:			
Net earnings (loss)	**$ 82,380**	$ (72,722)	$ 34,522
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Extraordinary loss	**910**	56,471	
Depreciation and amortization	**244,663**	241,240	253,839
Deferred operating losses from units to be divested			(27,769)
Exchange and replacement of stock options			11,164
Revaluation of various assets		10,362	16,767
Gain from restructuring assets disposed		(28,405)	
Gain on sale of equity investment	**(26,754)**		
Amortization of discount on Junior Subordinated Debentures	**118,239**	103,391	16,332
Amortization of deferred financing costs	**15,158**	16,480	
Loss (gain) on sale of property, plant and equipment	**5,926**	2,668	(5,266)
LIFO charge	**40,845**	52,604	57,408
Net increase in cash from changes in operating assets and liabilities, detailed hereafter	**16,439**	25,630	171,982
Net cash provided by operating activities	**497,806**	407,719	528,979
Cash Flows From Investing Activities:			
Capital expenditures	**(219,459)**	(131,334)	(324,150)
Proceeds from sale of property, plant and equipment	**25,421**	12,855	92,297
Decrease (increase) in property held for sale	**(14,717)**	75,209	16,561
Decrease in assets held for sale—restructuring	**3,124**	223,852	
Decrease (increase) in other investments	**(13,753)**	(15,034)	12,438
Proceeds from sale of equity investment	**30,052**		
Other changes, net	**(1,495)**	1,129	(11,554)
Net cash provided (used) by investing activities	**(190,827)**	166,677	(214,408)
Cash Flows From Financing Activities:			
Debt prepayment costs		(43,529)	
Financing charges incurred	**(8,780)**	(131,295)	(94,927)
Principal payments under capital lease obligations	**(5,790)**	(11,188)	(14,193)
Proceeds from issuance of long-term debt	**305,967**	2,706,447	4,190,744
Reductions in long-term debt	**(682,010)**	(2,954,882)	(846,537)
Proceeds from issuance of capital stock	**4,505**	5,232	180,923
Proceeds from sale of treasury stock	**17,535**	10,305	
Redemption of preferred stock		(250,000)	
Capital stock reacquired	**(326)**	(634)	(3,068)
Tax benefit of non-qualified stock options	**988**	1,864	26,262
Dividends paid or declared, including related costs		(2,290)	(3,347,028)
Decrease in notes payable			(309,149)
Net cash used by financing activities	**(367,911)**	(669,970)	(216,973)
Net increase (decrease) in cash and temporary cash investments	**(60,932)**	(95,574)	97,598
Cash and Temporary Cash Investments:			
Beginning of year	**115,475**	211,049	113,451
End of year	**$ 54,543**	$ 115,475	$ 211,049

Years Ended December 29, 1990, December 30, 1989 and December 31, 1988

(In thousands of dollars)	1990 (52 Weeks)	1989 (52 Weeks)	1988 (52 Weeks)
Increase (Decrease) In Cash From Changes In Operating Assets And Liabilities:			
Inventories (FIFO)	**$(93,374)**	$(136,862)	$(42,211)
Receivables	**3,533**	(1,012)	(5,696)
Prepaid and other current assets	**74,801**	42,005	(24,469)
Accounts payable	**65,725**	36,750	89,753
Accrued expenses	**27,811**	30,722	95,629
Deferred income taxes	**(14,630)**	23,681	12,955
Other liabilities	**(47,427)**	30,346	46,021
	$ 16,439	$ 25,630	$171,982

The accompanying notes are an integral part of the consolidated financial statements.

All dollar amounts are in thousands except per share amounts.

ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed in preparing these financial statements.

Principles of Consolidation

The consolidated financial statements include the Company and all of its subsidiaries.

Inventories

Inventories are stated at the lower of cost (principally LIFO) or market. Approximately 89% and 88% of inventories for 1990 and 1989, respectively, were valued using the LIFO method. Cost for the balance of the inventories is determined using the FIFO method.

Property Held for Sale

Property held for sale includes the net book value of property, plant and equipment that are in the process of being sold.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation and amortization, which includes the amortization of assets recorded under capital leases, are computed principally using the straight-line method over the estimated useful lives of individual assets, composite group lives or the initial or remaining terms of leases. Buildings and land improvements are depreciated based on lives varying from 10 to 40 years and equipment depreciation is based on lives varying from three to 15 years. Leasehold improvements are amortized over their useful lives which vary from four to 25 years.

Interest Rate Hedging Agreements

The Company uses interest rate swaps and caps to hedge a portion of its variable rate borrowings against increases in interest rates. The interest differential to be paid or received is accrued as interest rates change and is recognized over the life of the agreements currently as a component of interest expense. Gains and losses from the disposition of hedges are deferred and amortized over the term of the related borrowings.

Deferred Income Taxes

Deferred income taxes are recorded to reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting bases. The types of differences that give rise to significant portions of deferred income tax liabilities or assets relate to: property, plant and equipment, inventories, accruals for restructuring and other charges and accruals for compensation-related costs. The tax consequences of these differences expected to occur in the subsequent year are classified as a current asset or liability.

Consolidated Statement of Cash Flows

For purposes of the Consolidated Statement of Cash Flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be temporary cash investments.

Cash paid during the year for interest and income taxes was as follows:

	1990	1989	1988
Interest	$426,790	$536,503	$107,492
Income taxes	$ 19,397	$ 31,188	$ 43,581

The Company issued Junior Subordinated Discount Debentures in 1988 with a market value of $702,471 as a portion of the Special Dividend.

PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net consists of:

	1990	1989
Land	$ 182,611	$ 199,079
Buildings and land improvements	595,533	575,364
Equipment	2,012,077	1,928,346
Leaseholds and leasehold improvements	618,870	574,429
Leased property under capital leases	213,634	208,671
	3,622,725	3,485,889
Accumulated depreciation and amortization	(1,748,531)	(1,573,804)
	$1,874,194	$1,912,085

Substantially all property, plant and equipment collateralizes debt of the Company. (See Debt Obligations footnote.)

INVESTMENTS AND OTHER ASSETS

Investments and other assets consists of:

	1990	1989
Deferred financing costs	$126,367	$133,436
Goodwill	64,490	53,535
Other	103,259	109,398
	$294,116	$296,369

In 1989, the Company wrote-off $66,046 of deferred financing costs related to the early retirement of debt under the Credit Agreement negotiated in 1988 which was replaced by the Restated Credit Agreement in 1989. The after-tax loss of $35,665 has been recorded as a portion of the extraordinary loss.

In 1989, the Company incurred deferred financing costs of $11,446 associated with the Restated Credit Agreement, $38,723 associated with the mortgage financing, $35,782 associated with an interest rate hedge for the mortgage financing and $45,344 associated with the issuance of Senior Subordinated and Subordinated Debentures.

The costs associated with the mortgage financing are amortized using the interest method and the remaining costs are being amortized on a straight-line basis over the life of the related borrowing.

Substantially all goodwill is amortized on the straight-line method over forty years.

RESTRUCTURING AND OTHER CHARGES (CREDITS)

On September 23, 1988, the Company adopted a Restructuring Program and paid a special dividend consisting of $40 in cash and $17 principal amount of a junior subordinated discount debenture, which had an initial market value of $8.69, for each share of the Company's common stock outstanding as of the close of business on October 14, 1988 (the "Dividend").

The payment of the Dividend, the repayment of certain indebtedness of the Company, the redemption of the Company's Auction Preferred Shares in early 1989 and the payment of related fees and expenses was financed by approximately $3,300,000 of borrowings pursuant to a $3,600,000 Credit Agreement and the issuance of $1,000,000 in aggregate principal amount of Senior Subordinated Increasing Rate Notes, which were refinanced in January, 1989 through the issuance of $625,000 principal amount of Senior Subordinated Debentures and $625,000 Subordinated Debentures. The Credit Agreement was replaced by a Restated Credit Agreement on December 20, 1989. In addition, on December 20, 1989, the Company completed a mortgage

financing of certain of its retail properties, distribution warehouse facilities, food processing facilities and other properties, and received net proceeds of approximately $579,000 which were used to repay a portion of the Restated Credit Agreement.

The Company has implemented a strategic operating plan, focusing on the Company's core businesses of supermarkets and convenience stores, which management expects to generate sufficient funds to enable the Company to meet its principal and interest obligations on its indebtedness. The plan also included the divestiture of certain non-core and underproductive assets which was substantially completed in 1989.

In 1989 the Company recognized a pre-tax gain of $28,405 from the sale of assets of units divested, net of operating losses previously deferred in the amount of $45,679. In addition, the Company recorded a $10,362 and $195,000 pre-tax charge to earnings in 1989 and 1988, respectively, related to expenses incurred as a result of the Restructuring and other non-recurring items.

On December 14, 1990, the Company disposed of an equity investment in an unaffiliated company. The Company recognized a pre-tax gain of $26,754. A summary of Restructuring and other charges (credits) follows:

	1990	1989	1988
Disposition of equity investment	$(26,754)		
Gain from sale of assets of units divested		$(28,405)	
Stock option purchases and replacements, severance costs and compensation payments			$ 71,694
Revaluation of various assets and provision for other restructuring costs		10,362	68,544
Cost associated with debt retirements and short-term refinancings			30,926
Allowance for closed store rent and other loss contingencies			23,836
	$(26,754)	$(18,043)	$195,000

Approximately $31,000 was charged directly to accumulated earnings in 1988 for fees and expenses related to the development and payment of the cash portion of the Dividend.

OTHER CURRENT LIABILITIES

Other current liabilities consists of:

	1990	1989
Salaries and wages	$217,009	$193,246
Taxes, other than income taxes	112,977	121,092
Interest	93,255	86,250
Other	344,764	352,547
	$768,005	$753,135

TAXES BASED ON INCOME

The Company uses the liability method of accounting for income taxes pursuant to Statement of Financial Accounting Standards (SFAS) No. 96, "Accounting for Income Taxes." During the Fourth Quarter 1990, the Company settled all issues with the Internal Revenue Service for fiscal years through 1983. Tax expense was increased $6,000 as a result of the settlement.

The provision for taxes based on income consists of:

	1990	1989	1988
Federal			
Current	$ 61,516	$(25,162)	$(8,205)
Deferred	(14,630)	23,681	12,955
	46,886	(1,481)	4,750
State and local	12,027	8,993	12,566
	58,913	7,512	17,316
Tax credit from extraordinary loss	(469)	(48,105)	
	$ 58,444	$(40,593)	$17,316

Targeted job tax credits reduced the tax provision by $5,420 in 1990, $5,291 in 1989 and $3,683 in 1988.

A reconciliation of the statutory federal rate and the effective rate, including the effect of the extraordinary loss in 1990 and 1989, is as follows:

	1990	1989	1988
Statutory rate	34.0%	34.0%	34.0%
State income taxes, net of federal tax benefit	5.6	(5.2)	16.1
Tax credits	(2.7)	3.1	(7.1)
Tax settlement	4.3		
Tax rate difference in carryback years	.2	6.7	(9.1)
Other, net	.1	(2.8)	(.5)
	41.5%	35.8%	33.4%

Deferred income taxes included in the Consolidated Statement of Operations and Accumulated Earnings (Deficit) represent the tax effect of amounts expensed for tax purposes in excess of (less than) amounts used for financial reporting, and consist of:

	1990	1989	1988
Depreciation	$(9,098)	$ 8,418	$34,937
Restructuring and other charges, net	7,278	13,778	2,929
Compensation related costs	551	11,377	(18,732)
Capitalized inventory costs	(899)	1,237	(6,548)
Lease accounting	(2,273)	(4,723)	(1,204)
Alternative minimum tax credit carryforwards	(5,900)		(896)
Other	(4,289)	(6,406)	2,469
	$(14,630)	$23,681	$12,955

As of December 29, 1990, the Company has alternative minimum tax credit carryforwards of $6,796 which have been used to reduce deferred income taxes. This amount will be allowed as a credit against regular tax in the future to the extent that regular tax expense exceeds the alternative minimum tax expense.

DEBT OBLIGATIONS

Long-term debt consists of:

	1990	1989
Variable rate Senior Term Facility, due in varying amounts through 1996	$ 731,231	$1,200,000
Variable rate Working Capital Facility due 1996	365,586	495,200
11⅛% Senior Notes, due 1998	250,000	
12⅞% Senior Subordinated Debentures, due 1999	594,900	625,000
13⅛% Subordinated Debentures, due 2001 with a sinking fund payment of $312,500 due 2000	625,000	625,000
15½% Junior Subordinated Discount Debentures, net of $434,900 and $553,139 unamortized discount in 1990 and 1989, respectively, due 2008 with an approximate effective rate of 13.88%	940,378	822,139
10% Mortgage loans, with semi-annual payments due through 2004	611,789	612,475
6⅓% to 14¼% industrial revenue bonds, due in varying amounts through 2022	248,105	251,310
6¾% to 12⅞% mortgages, due in varying amounts through 2012	104,828	108,063
6% to 12% notes, due in varying amounts through 2011	28,093	18,822
Total debt	4,499,910	4,758,009
Less current portion	90,459	165,706
Total long-term debt	$4,409,451	$4,592,303

The aggregate annual maturities and scheduled payments of long-term debt for the five years subsequent to 1990 are:

1991	$ 90,459
1992	$153,783
1993	$165,849
1994	$157,313
1995	$153,657

Credit Agreement

The Company entered into a new Credit Agreement, dated December 20, 1989. This agreement replaced the Credit Agreement dated as of October 27, 1988. The following constitutes a summary of the principal terms and conditions of the new Credit Agreement, a copy of which is publicly available as an exhibit to the Company's Form 8-K, dated January 5, 1990.

The Credit Agreement provides for: (i) a six-year senior term facility of $1,200,000 (the "Term Facility") and (ii) a working capital revolving credit facility of $850,000, with a $450,000 sublimit for the issuance of standby and documentary letters of credit (the "Working Capital Facility" and together with the Term Facility, the "Facilities").

The Term Facility expires in 1996, and is subject to quarterly amortization of $36,402 on the third day of each January, April, July and October. The $50,000 original quarterly amortization was reduced due to early payments from the proceeds of the issuance in January, 1990 of $250,000 11⅛% Senior Notes and asset sales in 1990. See Senior Notes below.

Interest Rates

Loans under the Facilities bear interest at the option of the Company at a rate equal to either (i) the rate of interest announced from time to time by Citibank, N.A., as its base rate (the "Base Rate") plus the Applicable Margin (as defined below) or (ii) an adjusted Eurodollar rate based upon the London interbank offered rate ("LIBOR") plus the Applicable Margin.

Applicable Margin means a percentage per annum determined by reference to the Cash Interest Coverage Ratio set forth below:

Cash Interest Coverage Ratio	Applicable Margin for Base Rate Advances	Applicable Margin for LIBOR Rate Advances
less than 1.75 : 1	3/4%	1 3/4%
1.75 : 1 or greater, but less than 2.00 : 1	1/2	1 1/2
2.00 : 1 or greater, but less than 2.50 : 1	1/4	1 1/4
2.50 : 1 or greater	1/4	1

The Applicable Margin for the Facilities shall be determined by reference to the ratio in effect on the date on which the borrowings under the Facilities are made and such Applicable Margin shall remain in effect until such borrowings have been repaid, provided, that no decrease in the Applicable Margin shall be effective prior to June 20, 1990 and provided further that not more than one increase or decrease in the Applicable Margin shall occur in any six-month period and no increase or decrease in the Applicable Margin on any date shall exceed 1/4 of 1%. The Company achieved the reductions in the Applicable Margin available on June 20, 1990 and December 20, 1990. At December 29, 1990, the Applicable Margin is 1/4% for Base Rate advances and 1 1/4% for LIBOR Advances.

Collateral

The Company's obligations under the Facilities are collateralized by a pledge of the stock of subsidiaries of the Company and substantially all assets, both real and personal, of the Company and its subsidiaries.

Prepayment

The Company may prepay the Facilities, in whole or in part, at any time, without a prepayment penalty. Voluntary prepayments will be applied, at the option of the Company, either (i) to repay the Term Facility in the inverse order of maturity or (ii) to repay the next quarterly scheduled Term Facility payment and then to repay the remaining Term Facility payments pro rata. The Facilities are subject to certain mandatory prepayments in connection with asset dispositions, certain stock issuances, certain incurrences of debt and sale and leaseback transactions and in respect of a percentage of the Company's excess annual cash as defined in the Credit Agreement.

Certain Covenants

The Credit Agreement contains covenants which, among other things, (i) restrict investments, capital expenditures, and other material outlays and commitments relating thereto, (ii) restrict the incurrence of debt, including the incurrence of debt by subsidiaries, (iii) restrict dividends and payment, prepayments, and repurchases of subordinated debt, capital stock or other securities, (iv) restrict mergers and acquisitions and changes of business or conduct of business, (v) restrict transactions with affiliates, (vi) restrict certain sales of assets, (vii) restrict changes in accounting treatment and reporting practices except as permitted under generally accepted accounting principles, (viii) require the maintenance of certain financial ratios and levels, including interest coverage ratios, fixed charge coverage ratios and total debt ratios, (ix) require the Company

to provide financial statements and an annual business plan of the Company and its subsidiaries and (x) require the Company to maintain interest rate protection providing that at least 70% of the Company's indebtedness for all borrowed money is maintained at a fixed rate of interest.

Interest Rate Protection Program

The Company has instituted an interest rate hedging program for its variable rate debt under the Facilities. The program consists of $250,000 of interest rate caps at a LIBOR rate of 9.5% through December 29, 1991 and $400,000 of interest rate swaps. Under the swaps, the Company pays the average LIBOR of 8% semi-annually and receives the 3-month LIBOR, quarterly. The swaps were entered into on December 21, 1990 and expire on December 21, 1992.

Subsequent to 1990 the Company entered into two one year swaps starting June 21, 1991, for a total of $300 million. These swaps fix the rate on $300 million of variable rate debt for one year at 7.5%. Also, the Company entered into three one year swaps totaling $400 million starting January 29, 1991. These swaps fix the rate on $400 million of variable rate debt at 7.15%. In total, the Company has entered into $1.1 billion of swaps at an average rate of 7.56%. The Company is exposed to credit loss in the event of non-performance by the other parties to the interest rate swap agreements. However, the Company does not anticipate non-performance by the counterparties.

Senior Notes

On January 29, 1990 the Company issued $250,000, 11⅛% Senior Notes, due March 15, 1998. The net proceeds of $243,325 were used to prepay a portion of the Term Facility. This prepayment was applied pro rata to each quarterly amortization of the Term Facility.

The notes are unsecured, general obligations of the Company. Interest on the notes is payable on March 15 and September 15 of each year. The notes are redeemable at any time on or after March 15, 1994, in whole or in part, at the option of the Company.

Senior Subordinated and Subordinated Debentures

On January 27, 1989 the Company issued $625,000, 12⅞% Senior Subordinated Debentures due 1999 and $625,000 13⅛% Subordinated Debentures due 2001, with a 50% sinking fund requirement in 2000. The proceeds were used to refinance $1,000,000 of Increasing Rate Notes issued in conjunction with the restructuring in 1988, prepay $200,000 of the original Term Facility and to pay $50,000 of expenses associated with the offering.

Junior Subordinated Discount Debentures

The Junior Subordinated Discount Debentures (the "Debentures") were issued on December 2, 1988 under an indenture (the "Indenture"), dated as of October 15, 1988, between the Company and Bankers Trust Company of California, National Association, as trustee, a copy of which is filed as an exhibit to the Form T-3, as amended, filed by the Company with the Securities and Exchange Commission.

The Debentures will become due on October 15, 2008. The principal of the Debentures will not bear interest until October 15, 1993; interest will be payable on the Debentures at an annual rate of 15½%, payable semi-annually on April 15 and October 15 in each year, commencing April 15, 1994, until the principal is paid or made available for payment.

The Debentures may be redeemed, at the option of the Company, in whole or in part, at any time at a redemption price of 100% of principal amount, plus accrued interest from the last interest payment date on which interest has been paid or provided for, from October 15, 1993 to the date of redemption.

On October 15 in each of the years 2004 through 2007 inclusive, the Company will be required to redeem an aggregate principal amount of Debentures equal to 20% of the greatest principal amount of Debentures issued and outstanding prior to October 15, 2004 at a redemption price of 100% of principal amount plus accrued interest to the date of redemption.

A settlement agreement between the Company and certain plaintiffs in *In Re: The Kroger Co. Shareholders Litigation,* Consolidated Case No. A-8807634, Court of Common Pleas, Hamilton County, Ohio, under which the Company had agreed to change the terms of the Debentures was effectively set aside by an appellate court and no longer is of any effect.

Redemption Event

Subject to certain conditions (including repayment in full of all obligations under the Credit Agreement or obtaining the requisite consents under the Credit Agreement), the Senior Notes, Senior Subordinated Debentures, Subordinated Debentures and the Junior Subordinated Discount Debentures will be subject to redemption, in whole or in part, at the option of the holder upon the occurrence of a redemption event, upon not less than five days' notice prior to the date of redemption, at a redemption price equal to the default amount, plus a specified premium. "Redemption Event" is defined in the indentures as the occurrence of (i) any person or group, together with any affiliate thereof, beneficially owning 50% or more of the voting power of the Company or (ii) any one person or group, or affiliate thereof, succeeding in having a majority of its nominees elected to the Company's Board of Directors, in each case, without the consent of a majority of the continuing directors of the Company.

Mortgage Financing

On December 20, 1989, the Company completed a $612,475, 10% mortgage financing of 127 of its retail properties, distribution warehouse facilities, food processing facilities and other properties (the "Properties"), with a net book value of $325,327 held by thirteen newly formed wholly-owned subsidiaries. The wholly-owned subsidiaries mortgaged the Properties, which are leased to the Company or affiliates of the Company, to a newly formed special purpose corporation, Secured Finance Inc.

The mortgage loans have a maturity of 15 years. The Properties had been subject to the liens of the lenders under the Credit Agreement and are now subject to the liens of Secured Finance Inc. The Company received net proceeds of approximately $579 million, which were used to repay a portion of the Credit Agreement. The mortgage loans are subject to semi-annual payments which began June 15, 1990 of interest and principal on $150,000 of the borrowing based on a 30-year payment schedule and interest only on the remaining $462,475 principal amount. The unpaid principal amount will be due on December 15, 2004.

Commercial Paper

Under the restated Credit Agreement the Company is permitted to issue up to $400,000 of unrated commercial paper and borrow up to $400,000 from the lenders under the Credit Agreement on a competitive bid basis. The total of unrated commercial paper, $126,000 at December 29, 1990, and competitive bid borrowings, $239,586 at December 29, 1990, however, may not exceed $400,000. During 1990, the Company limited its unrated commercial paper program to $200,000. All commercial paper and competitive bid borrowings must be supported by availability under the Working Capital Facility portion of the Credit Agreement. These borrowings have been classified as long-term because the Company expects that during 1991 these borrowings will be refinanced using the same type of securities. Additionally, the Company has the ability to refinance the short-term borrowings under the Working Capital Facility which matures in 1996.

LEASES

The Company operates primarily in leased facilities. Lease terms generally range from 10 to 25 years with options to renew at varying terms. Certain of the leases provide for contingent payments based upon a percent of sales.

Rent expense (under operating leases) consists of:

	1990	1989	1988
Minimum rentals	$238,006	$229,255	$246,688
Contingent payments	14,494	13,151	11,459
	$252,500	$242,406	$258,147

Assets recorded under capital leases consists of:

	1990	1989
Distribution and manufacturing facilities	$ 49,176	$ 53,395
Store facilities	164,458	155,276
Less accumulated amortization	(92,125)	(87,083)
	$121,509	$121,588

Minimum annual rentals for the five years subsequent to 1990 and in the aggregate are:

	Capital Leases	Operating Leases
1991	$ 25,339	$ 257,211
1992	25,164	247,128
1993	25,089	236,961
1994	24,646	225,857
1995	24,081	210,359
Thereafter	236,813	1,757,980
	361,132	$2,935,496
Less estimated executory costs included in capital leases	(34,481)	
Net minimum lease payments under capital leases	326,651	
Less amount representing interest	(172,234)	
Present value of net minimum lease payments under capital leases	$154,417	

EXTRAORDINARY LOSS

The extraordinary loss in 1990 and 1989 relates to the early retirement of debt. In 1989, the Company recorded an extraordinary loss of $56,471, net of income tax credit of $48,105. This loss relates to the write-off of deferred financing costs due to the cancellation of the original Credit Agreement and related interest rate swaps, the write-off of deferred fees associated with the Divestiture Loan which was prepaid in June, 1989 and the write-off of fees due to the prepayment of the Increasing Rate Notes.

EARNINGS (LOSS) PER COMMON SHARE

Earnings (loss) per common share equals net earnings (loss) adjusted by preferred stock dividends in 1989 and 1988, divided by the weighted average number of common shares outstanding, after giving effect to dilutive stock options in 1990. Fully diluted earnings per share is not presented for 1990 since it approximates the earnings per share reported amount. The effect of common stock equivalents is not significant or such instruments are anti-dilutive (due to a net loss) and therefore are not included in the calculation for 1989 and 1988.

PREFERRED STOCK

The Company has authorized 5,000,000 shares of voting cumulative preferred stock; 2,000,000 were available for issuance at December 29, 1990. The stock has a par value of $100 and is issuable in series. Under the Credit Agreement, the Company is prohibited from issuing shares of preferred stock.

On May 28, 1986 the Company issued 625,000 Series A Auction Preferred Shares and 625,000 Series B Auction Preferred Shares at a total price of $125,000. On January 26, 1988 the Company issued an additional 625,000 Series C Auction Preferred Shares and 625,000 Series D Auction Preferred Shares at a total price of $125,000. The average dividend rates during 1988 for the Series A, B, C and D Shares were 6.88%, 7.30%, 7.62% and 7.44% per annum, respectively. The Company redeemed its Series B Auction Preferred Shares on January 3, 1989, its Series C Auction Preferred Shares on January 17, 1989, its Series A Auction Preferred Shares on January 31, 1989 and its Series D Auction Preferred Shares on February 7, 1989, at par.

COMMON STOCK

The Company has authorized 350,000,000 shares of $1 par common stock. The main trading market for the Company's common stock is the New York Stock Exchange, where it is listed under the symbol KR. Common stock was reduced to par value during 1988 to reflect the payment of a portion of the Dividend from additional paid-in capital. Additional paid-in capital has historically been included in the carrying amount for common stock. During 1988 Company benefit plans made open market purchases of common stock to reinvest dividends under the stock purchase plan. For the three years ended December 29, 1990, changes in common stock were:

	Issued		In Treasury	
	Shares	Amount	Shares	Amount
January 2, 1988	98,528,608	$423,778	19,956,691	$509,785
Exercise of stock options including restricted stock grants	2,407,752	55,923	78,841	3,068
Additional paid in-capital portion of the Dividend		(405,027)		
Tax benefit from exercise of non-qualified stock options		26,262		
December 31, 1988	100,936,360	100,936	20,035,532	512,853
Exercise of stock options including restricted stock grants	702,816	5,232	45,382	634
Sale of treasury shares to the Company's employee benefit plans		(6,393)	(2,162,087)	(55,395)
Tax benefit from exercise of non-qualified stock options		1,864		
December 30, 1989	101,639,176	101,639	17,918,827	458,092
Exercise of stock options including restricted stock grants	531,761	4,505	30,121	326
Sale of treasury shares to the Company's employee benefit plans		(3,354)	(1,354,663)	(34,759)
Tax benefit from exercise of non-qualified stock options		988		
December 29, 1990	102,170,937	$103,778	16,594,285	$423,659

STOCK OPTION PLANS

The Company grants options for common stock under various plans at an option price equal to the fair market value of the stock at the date of grant. In addition to cash payments, the plans provide for the exercise of options by exchanging issued shares of stock of the Company. In connection with the restructuring in 1988, all options outstanding on October 14, 1988 were cancelled in exchange for either cash or new options. At December 29, 1990 and December 30, 1989 8,239,354 and 3,032,376 shares of common stock, respectively, were available for future options. Options may be granted under the 1981, 1985, 1987, 1988 and 1990 plans until 1991, 1995, 1997, 1998 and 2000, respectively, and will expire 10 years from the date of

grant. Options become exercisable six months from the date of grant. At December 29, 1990, options for 6,857,108 shares were exercisable. All grants outstanding become immediately exercisable upon certain changes of control of the Company.

Changes in options outstanding under the stock option plans, excluding restricted stock grants, were:

	Shares Subject To Option	Option Price Range Per Share
Outstanding, January 2, 1988	2,590,373	$ 6.43—$38.00
Granted	6,875,432	$ 2.79—$37.38
Exercised	(2,407,752)	$ 8.19—$38.00
Cancelled or expired	(1,481,176)	$ 9.13—$37.38
Outstanding, December 31, 1988	5,576,877	$ 2.79—$ 9.13
Granted	117,350	$ 9.69—$18.57
Exercised	(683,393)	$ 3.64—$ 9.69
Cancelled or expired	(51,465)	$ 9.13—$14.25
Outstanding, December 30, 1989	4,959,369	$ 2.79—$18.57
Granted	2,619,715	$11.63—$16.19
Exercised	(480,549)	$ 2.79—$10.75
Cancelled or expired	(45,077)	$ 9.13—$14.19
Outstanding, December 29, 1990	7,053,458	$ 2.88—$18.57

In addition to stock options, the Company may grant stock appreciation rights (SAR's) to certain officers. In general, the eligible optionees are permitted to surrender the related option and receive shares of the Company's common stock and/or cash having a value equal to the appreciation on the shares subject to the options. The appreciation of SAR's is charged to earnings in the current period based upon the market value of common stock. As of December 29, 1990 and December 30, 1989 there were no SAR's outstanding.

The Company also may grant limited stock appreciation rights (LSAR's) to executive officers in tandem with the related options. LSAR's operate in the same manner as SAR's but are exercisable only following a change of control of the Company. As of December 29, 1990 and December 30, 1989, there were no LSAR's outstanding.

Also, the Company may grant restricted stock awards to eligible employee participants. In general, a restricted stock award entitles an employee to receive a stated number of shares of common stock of the Company subject to forfeiture if the employee fails to remain in the continuous employ of the Company for a stipulated period. The holder of an award shall be entitled to the rights of a shareowner except that the restricted shares and the related rights to vote or receive dividends may not be transferred. The award is charged to earnings over the period in which the employee performs services and is based upon the market value of common stock at the date of grant. As of December 29, 1990 and December 30, 1989, awards related to 224,940 and 106,052 shares were outstanding, respectively.

CONTINGENCIES

The Company continuously evaluates contingencies based upon the best available evidence.

Management believes that allowances for loss have been provided to the extent necessary and that its assessment of contingencies is reasonable. To the extent that resolution of contingencies results in amounts that vary from management's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

Income Taxes—The Internal Revenue Service has completed its examination of the Company's tax returns through 1983. The Company has provided for the related settlement and other tax contingencies.

Insurance—The Company's workers' compensation risks are self-insured in certain states. The liability for these risks is accounted for on a present value basis. In addition, certain levels of insured general liability risks are based on retrospective premiums. Actual claim settlements and expenses incident thereto may differ from the provisions for loss. Other levels of general liability risks have been underwritten by a subsidiary. Operating divisions and subsidiaries have paid premiums, and the insurance subsidiary has provided loss allowances, based upon actuarially-determined estimates.

Litigation—Various suits and claims arising in the ordinary course of business are pending against the Company. In the opinion of management, these suits and claims will not have a material effect on the financial position or results of operations of the Company.

WARRANT DIVIDEND PLAN

On February 28, 1986, the Company adopted a warrant dividend plan in which each holder of common stock is entitled to one common stock purchase right for each share of common stock owned. When exercisable, the nonvoting rights entitle the registered holder to purchase one share of common stock at a price of $60 per share. The rights will become exercisable, and separately tradeable, ten days after a person or group acquires 20% or more of the Company's common stock. In the event the rights become exercisable and thereafter the Company is acquired in a merger or other business combination, each right will entitle the holder to purchase common stock of the surviving corporation, for the exercise price, having a market value of twice the exercise price of the right. Under certain other circumstances, including the acquisition of 25% or more of the Company's common stock, each right will entitle the holder to receive upon payment of the exercise price, shares of common stock with a market value of two times the exercise price. At the Company's option, the rights, prior to becoming exercisable, are redeemable in their entirety at a price of $.025 per right. The rights are subject to adjustment and expire March 19, 1996.

PENSION PLANS

The Company administers non-contributory defined benefit retirement plans for substantially all non-union employees. Funding for the pension plans is based on a review of the specific requirements and on evaluation of the assets and liabilities of each plan. Employees are eligible to participate upon the attainment of age 21 and the completion of one year of service, and benefits are based upon final average salary and years of service. Vesting is based upon years of service.

The Company-administered pension benefit obligations and the assets were valued as of the end of 1990 and 1989. The assets are invested in cash and short-term investments or listed stocks and bonds, including $47,833 and $42,477 of common stock of The Kroger Co. at the end of 1990 and 1989, respectively, and $7,789 and $15,144 of 15½% junior subordinated discount debentures of The Kroger Co. at the end of 1990 and 1989, respectively. The status of the plans at the end of 1990 and 1989 was:

	1990	1989
Actuarial present value of benefit obligations:		
Vested employees	$355,981	$336,640
Non-vested employees	10,266	9,879
Accumulated benefit obligations	366,247	346,519
Additional amounts related to projected salary increases	82,188	69,294
Projected benefit obligations	448,435	415,813
Plan assets at fair value	542,036	571,142
Plan assets in excess of projected benefit obligations	93,601	155,329
Unamortized net asset	(69,611)	(78,884)
Unrecognized net gain	(57,747)	(129,891)
Accrued pension liability	$(33,757)	$(53,446)

The components of net periodic pension income for 1990, 1989 and 1988 are as follows:

	1990	1989	1988
Service cost	$ 13,304	$ 11,373	$ 12,800
Interest cost	39,965	38,025	37,000
Return on assets:			
Actual	(3,240)	(122,243)	(94,500)
Deferred	(53,546)	74,658	53,100
	(56,786)	(47,585)	(41,400)
Net amortization and deferral	(15,015)	(9,959)	(9,200)
Net periodic pension income for the year	$(18,532)	$ (8,146)	$ (800)
Assumptions:			
Discount rate	9.5%	9.5%	9.5%
Salary Progression rate	6.5%	6.5%	6.5%
Long-term rate of return on plan assets	10.0%	10.0%	10.0%

The Company also administers certain defined contribution plans for eligible employees. The cost of these plans for 1990, 1989 and 1988 was $16,296, $16,450, and $12,500, respectively.

The Company participates in various multi-employer plans for substantially all union employees. Benefits are generally based on a fixed amount for each year of service. Contributions and expense for 1990, 1989 and 1988 were $73,813, $67,289 and $73,717, respectively. Information on the actuarial present value of accumulated plan benefits and net assets available for benefits relating to the multi-employer plans is not available.

POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for retired employees. The majority of the Company's employees may become eligible for these benefits if they reach normal retirement age while employed by the Company. The cost of retiree health care and life insurance benefits is recognized as expense as claims or premiums are paid. For 1990, 1989 and 1988, the combined cost for these benefits was $7,451, $7,556 and $6,107, respectively.

In December, 1990 the Financial Accounting Standards Board issued statement on Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions". The pronouncement is effective for fiscal years beginning after December 15, 1992, although earlier implementation is allowed. The Company has not determined when the new principle will be implemented or its impact on the Company's financial statements.

QUARTERLY DATA (UNAUDITED)

(In thousands of dollars, except per share amounts)

1990	Quarter First (12 weeks)	Second (12 weeks)	Third (16 weeks)	Fourth (12 weeks)	Total Year (52 weeks)
Sales	$4,558,759	4,742,387	5,974,326	4,985,502	20,260,974
Merchandise costs	$3,551,532	3,654,775	4,637,332	3,826,032	15,669,671
Net earnings (loss)	$ (10,265)	25,258	464	66,923	82,380
Net earnings (loss) per common share	$ (.12)	.30	.01	.76	.95
1989					
Sales	$4,490,776	4,425,895	5,533,949	4,653,051	19,103,671
Merchandise costs	$3,501,138	3,424,777	4,306,327	3,613,395	14,845,637
Earnings (loss) before extraordinary loss	$ (18,971)	1,414	(4,024)	5,330	(16,251)
Extraordinary loss	$	(3,940)	(1,278)	(51,253)	(56,471)
Net loss	$ (18,971)	(2,526)	(5,302)	(45,923)	(72,722)
Earnings (loss) per common share					
Before extraordinary loss	$ (.26)	.02	(.06)	.07	(.23)
Extraordinary loss	$	(.05)	(.01)	(.63)	(.69)
Net loss	$ (.26)	(.03)	(.07)	(.56)	(.92)

Fourth quarter 1990 net earnings includes a non-recurring net gain of $10,600, or 12 cents per share, consisting of a $16,600 after-tax gain from the sale of an equity investment in an unaffiliated company and $6,000 in tax related to the settlement of prior year tax audits. Fourth quarter 1989 operations reflect a $10,362 charge for Restructuring and other charges (see Restructuring and Other Charges (Credits) footnote). Fourth quarter 1990 reflects a LIFO credit of $3,155 compared with a charge of $4,004 in the fourth quarter 1989. Third quarter 1989 earnings include a $28,405 gain from the sale of assets disposed of as part of the restructuring in 1988.

	Common Stock Price Range			
	1990		1989	
Quarter	High	Low	High	Low
1st	16⅛	12	10¾	8⅜
2nd	15⅝	11¾	14⅝	10
3rd	17	12	19¾	14
4th	14⅜	10⅝	18¾	13¾

Under the restated Credit Agreement dated December 20, 1989, the Company is prohibited from paying cash dividends during the term of the Credit Agreement. The Company is permitted to pay dividends in the form of stock of the Company.

SELECTED FINANCIAL DATA

	Fiscal Years Ended				
	December 29, 1990 (52 Weeks)	December 30, 1989 (52 Weeks)	December 31, 1988 (52 Weeks)	January 2, 1988 (52 Weeks)	January 3, 1987 (53 Weeks)
	(In thousands of dollars, except per share amounts)				
Sales from continuing operations	**$ 20,260,974**	19,103,671	19,053,020	17,659,730	17,122,518
Earnings (loss) from continuing operations before cumulative effect of change in accounting for income taxes and extraordinary loss(B)	**$ 83,290**	(16,251)	34,522	183,299	55,768
Extraordinary loss (net of income tax credit of $469 in 1990 and $48,105 in 1989)(D)	**$ (910)**	(56,471)			
Cumulative effect of change in accounting for income taxes	$			63,345(A)	
Net earnings (loss)(B)	**$ 82,380**	(72,722)	34,522	246,644	51,493
Earnings (loss) per share					
Earnings (loss) before extraordinary loss and cumulative effect of change in accounting for income taxes(B)	**$ .96**	(.23)	.24	2.20	.60
Extraordinary loss	**$ (.01)**	(.69)			
Cumulative effect of change in accounting for income taxes	$			.79(A)	
Net earnings (loss)(B)	**$ .95**	(.92)	.24	2.99(A)	.55
Total assets	**$ 4,118,542**	4,241,987	4,613,399	4,460,126	4,086,447
Long-term obligations, including obligations under capital leases	**$ 4,532,841**	4,724,417	4,724,461	986,770	830,624
Shareowners' equity (deficit)	**$ (2,860,461)**	(2,965,543)	(2,678,509)	1,133,511	1,154,771
Cash dividends per common share	**$ (E)**	(E)	.8225	1.05	1.025
Special dividend per common share	$		48.69(C)		

(A) Represents cumulative effect of change in accounting for income taxes. The Company adopted SFAS No. 96 in 1987.

(B) See Restructuring and Other Charges (Credits) footnote in the Notes to Consolidated Financial Statements.

(C) Consisted of a $40 cash dividend and a $17 principal amount of a Junior Subordinated Discount Debenture which had an initial market value of $8.69.

(D) See Extraordinary Loss footnote in the Notes to Consolidated Financial Statements.

(E) The Company is prohibited from paying cash dividends under the terms of the Credit Agreement.

Executive Officers

Richard L. Bere
President and Chief
Operating Officer

David B. Dillon
Executive Vice President and President,
Dillon Companies, Inc.

Donald F. Dufek
Senior Vice President

Lyle Everingham
Chairman of the Executive Committee

Paul W. Heldman
Vice President and General Counsel

Robert J. Hodge
Senior Vice President

Jack G. Hudson
Group Vice President

Lorrence T. Kellar
Group Vice President

Patrick J. Kenney
Senior Vice President

Thomas E. Murphy
Group Vice President

Jack W. Partridge, Jr.
Group Vice President

Joseph A. Pichler
Chairman of the Board and
Chief Executive Officer

William J. Sinkula
Executive Vice President and
Chief Financial Officer

Norma Skoog
Vice President and Secretary

Lawrence M. Turner
Vice President and Treasurer

The Company has a variety of plans designed to allow both employees and general shareowners to acquire stock in Kroger:

EMPLOYEES: Kroger employees and employee benefit plans own shares through pension plans and a profit sharing plan, as well as 401(k) plans and a payroll deduction plan called the Kroger Stock Exchange. If employees have questions concerning their shares in the Kroger Stock Exchange, or if they wish to sell shares they have purchased through this plan, they should contact:

Star Bank, N.A. Cincinnati
P.O. Box 5277
Cincinnati, Ohio 45201
Toll Free 1-800-872-3307

Questions concerning any of the other plans should be directed to the employee's local Human Resources Manager.

GENERAL SHAREOWNERS: Individuals may make commission-free initial cash contributions to purchase Kroger shares through a special plan administered by First Chicago Trust Company of New York. For information concerning this plan, or for questions concerning changes of address, etc., individual shareowners should contact:

First Chicago Trust Company of New York
P.O. Box 3981
New York, New York 10008-3981
1-212-791-6422

for direct deposit of optional cash payments:
Kroger Dividend Reinvestment Cash Controller
P.O. Box 13531
Newark, N.Y. 07188-0001

For information concerning the 15½% Junior Subordinated Discount Debentures Due 2008, contact:

Bankers Trust Company
Corporate Trust and Agency Group
P.O. Box 9006, Church Street Station
New York, New York 10249
1-212-250-6000